Supreme Court Rules for Utes In Securities Sale

The U.S. Supreme Court has ruled for the Affiliated Ute Citizens of Utah and against the First Security Bank and two of its employees in a test case involving $129,519.56 in damages for about 85 mixed-blood Ute Indians.

THE COURT upheld a federal District Court for Utah ruling that the mixed-blood Utes were misled in the sale of securities issued for them by the Ute Distribution Corp.

The suit was initiated in 1965 by Anita R. Reyos and 84 other mixed-blood Utes against the bank and John B. Gale and Verl Haslem, assistant managers of its Roosevelt branch.

IN A statement from Mr. Haslem he stated that he did not accept any commission or act as a broker for any person or group and did not solicite or make any purchase for the UDC stock on the bank premises. He further stated he did purchase, for his own account, shares of UDC stock as authorized by the act of Congress authorizing stock to be sold on the open marked on August 27, 1965.

Mr. Haslem stated that each stock certificate bears a warning in red lettering that the value of each share can only be determined by the unique rights of ownership of natural resources of the corporation.

THE COURT valued of $1,500 is only the opinion of the district court Judge Sorensen and does not reflect the actual value of the stock.

Mr. Haslem denied the accusations that he acted as a broker and stated the U.S. Supreme Court is only approving the findings of the Salt Lake District Court which did not accuse the two assistant managers of the Roosevelt branch of First Security Bank of Utah.

SELECTED WERE 12 "bellweather plaintiffs," from among the 85 Indians, for the test case. In this case, the Federal District Court for Utah held that $1,500 was a fair market value for a share of UDC stock.

This court also fixed damages due the Indians from the bank and plaintiffs at $129,519.56.

(The matter of individual damages was remanded by the Supreme Court back to the trial court for its consideration in the Monday ruling.)

THE SUIT was the outcome of the Ute Partition Act which Congress enacted during the Eisenhower Administration to provide for partition and distribution of the tribe's assets between mixed and full-blood members. This led to creation of the Ute Development Corp. which issued 10 shares of stock in the name of each mixed-blood and agreed with First Security for the bank to become the UDC transfer agent.

It was held in the test case that the Indians had sold 1,387 shares, of which Mr. Haslem bought 50 and Mr. Gale 63 at prices ranging from $300 to $700.

THE DISTRICT court reached its $1,500-a-share value after taking into account potential oil shale and mineral deposits on the Uintah and Ouray Reservation and the remaining interest of the mixed-bloods in an earlier judgment of more than $30 million.

The federal government also was sued i nthe case, but that portion was later thrown out by the U.S. 10th Circuit Court of Appeals in Denver. This was upheld in the Supreme Court decision.

WALTER DUNCAN, former associate solicitor of the Interior Department and one of the attorneys representing the Utes, told The Salt Lake Tribune, "We are petitioning for rehearing on the suit against the United States because the court apparently overlooked a pivotal point which was that the Ute Distribution Corp. was never properly formed in accordance with the constitution and bylaws of these Indians and in accordance with the Termination Act."

HE SAID that since UDC wasn't "Properly formed" the responsibility of the United States to the Indians has never been terminated "So still exists today."

Associate Justice Harry A. Blackmun's opinion states "Gale and Haslem received various commissions for their services in connection with UDC stock from mixed-bloods to non-members, solicited contracts for open purchases of UDC stock on bank premises during business hours and prepared the necessary affidavits and other papers, using at best, informal procedures."

"THE MEASURE of damages for each seller, the (district) court held, was the difference between the fair value of the UDC shares at the time of sale and the fair value of what the seller received.

"The court of appeals reversed in substantial part, holding that after the 1961 termination that the government owed petitioners no duty in consection with the UDC stock sales, that Gale and Haslem were liable only where they personally purchases shares for their own accounts or for resale to an undisclosed principal at a higher price, but not in other instances where their actions were held to be only administerial, and the bank's liability did not extend beyond Gale's and Haslem's."